200 Corporate Place, 3rd Floor T: 860-563-0015
Rocky Hill, Connecticut 06067 F: 860-563-4877
www.ctcleanenergy.com
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Statement of the Connecticut Clean Energy Fund Regarding Raised Senate Bill 463 An Act Concerning Financing of Energy Efficiency and Renewable Energy.

The CCEF supports the objectives of SB 463, which include direct support for Connecticut economic development through state investments in renewable energy and energy efficiency resources, as well as associated environmental, public health and energy independence benefits. SB 463 seeks to establish a long-term financial infrastructure to further support energy savings through energy efficiency and renewable energy. One of the bill's stated purposes is to create a loan program by securitizing certain monies and leveraging private investments. The CCEF agrees that the time is ripe for Connecticut to take advantage of federal and other funding opportunities in a coordinated and efficient manner.

During this legislative session, this committee has considered several public policy options that directly support the development of in-state renewable energy projects through the Renewable Portfolio Standards (RPS). These policy options include a solar, or distributed generation, in-state RPS carve out; revolving loan funds; municipal financing options; and state building commitments . Taken together, these policies send an appropriate market signal that Connecticut intends to continue supporting various renewable energy technologies and energy efficiency measures and the associated economic development benefits. An important objective of all of these initiatives, including the measures in SB 463 is to pave the way towards grid parity for renewables, create jobs, reduce harmful air emissions and strive for energy independence here in Connecticut.

The CCEF recognizes that the Connecticut RPS was established with an understanding that there would be a need and desire to rely on renewable resources located throughout New England and across parts of the larger Northeast market, including New York and the Eastern Canadian Provinces to provide alternatives to fossil fuel generation. Connecticut and many other states relied in part on the regional competitive renewable market in establishing RPS policies that would support renewable energy technologies and their development, but at the same time would not overly burden ratepayers. This regional marketplace is working—supply has caught up with demand and the trading price for Renewable Energy Credits has fallen steeply to $22/ MWH well below the Alternative Compliance Payment of $55/MWH.

This is not to say that the long term RPS goals should not be reexamined to evaluate whether the current targets put an undue burden on ratepayers. The CCEF believes a DPUC stakeholder proceeding would be an appropriate mechanism for determining the appropriate level of in-state resources required annually over the next ten-plus years.

S.B. 463 uses the Renewable Portfolio Standard to finance a loan fund for energy efficiency, CHP and renewables. While energy efficiency and CHP financing are unmet needs and should be addressed, this proposal changes the intent of the RPS. Furthermore, the significant restructuring as proposed in this Bill may have the unintended consequences of discouraging the very renewable development that the RPS was intended to encourage. The CCEF receives a consistent message from renewable developers of projects large and small—'*please have consistent policy so that we can plan projects based on the policy.* Many of these projects take years to plan, obtain the proper permitting and execute requiring substantial investment over the course of many years. Making changes to current policy could impact private sector investment for projects due to reach commercial operation both in the near term as well as up to 5 years or more into the future.

It is important to bear in mind that some energy efficiency resources are competitive without large or any subsidies, but renewable technologies on the other hand, which are more expensive continue to need subsidies in an effort to get to grid parity. Thus, financing alone will not provide the appropriate market support for emerging renewable technologies. SB 463 addresses financing needs but not the lack of incentives for any kind of meaningful in-state renewable goals. With energy prices at today's levels , such generators cannot attract financing without sufficient supplemental revenue such as renewable energy credits, whose value is derived from the RPS requirements. For non-wind renewable energy projects, additional incentives are necessary. The CCEF cannot support a viable non-residential renewable market with the funding it receives—thus the need for long-term contracts with incentives paid based on production. For most renewable projects with contracts and incentives in place—the private market will finance the remainder of the cost.

For energy efficiency financing which typically has much shorter payback time —one option would be to structure a revolving loan pool of $16 million (the value of the first year carve out proposed in this Bill) that could potentially leverage ten times that amount from a combination of private sector capital and federal dollars—or $160 million with a loan loss reserve pool provided from other funding.

In sum, we believe this bill addresses unmet needs in the marketplace and would be particularly effective in scaling up energy efficiency projects through financing, but not necessarily Connecticut based renewable energy developments absent independent incentives to support these emerging technologies. However, we would recommend an analysis and recommendations on a revised RPS strategy that could achieve policy goals balancing attainment of as much in-state renewable development as possible along with the larger-scale most cost effective renewable energy developments throughout the region while minimizing ratepayer impact.